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December 12, 2001

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

PUBLIC VERSION

Re: Exclusion Requests Concerning Carbon and Alloy Wire Rod

Dear Ms. Blue:

This submission, which responds to the various requests to exclude certain steel products from any quantitative restrictions, increased duties, or tariff-rate quotas that the President may impose pursuant to section 203(a) of the Trade Act of 1974, as amended, is filed on behalf of the domestic industry producing carbon and alloy steel wire rod. This filing is made in connection with the Trade Policy Staff Committee's October 26, 2001 notice published in the Federal Register (66 Fed. Reg. 54,321) and with the amendment to that notice published on November 29, 2001 (66 Fed. Reg. 59,599).

On behalf of Co-Steel Raritan, Inc. and GS Industries, we write to oppose certain requests filed with the Trade Policy Staff Committee ("TPSC") seeking exclusions of carbon and alloy long products from the scope of any import relief program ultimately implemented by the President in connection with the section 201 investigation concerning steel. As discussed further below, our opposition is limited to just two of the many carbon and alloy long products for which exclusions have been requested. Both of the products for which the domestic industry opposes exclusions are manufactured in significant quantities in the United States and,

accordingly, should not be excluded from any import relief program ultimately implemented by the President.

I. OVERVIEW

As reflected in Ambassador Zoellick's letter of June 22, 2001 requesting that the International Trade Commission initiate a section 201 investigation concerning steel, a large number of carbon and alloy wire rod products were specifically excluded from the scope of the present investigation. In particular, excluded from the scope of the present section 201 investigation were all products within the scope of the 1997 section 201 investigation concerning certain carbon and alloy steel wire rod. See Attachment 1 of Ambassador Zoellick's June 22, 2001 Letter. These explicit exclusions included both the products that were ultimately covered by the import relief program implemented by the President, as well as those products that the International Trade Commission (at the request of the domestic industry) excluded from the scope of the wire rod section 201 investigation. Those products include: tire cord quality wire rod, valve spring quality wire rod, class III pipe wrap quality wire rod, aircraft quality cold heading quality wire rod, and aluminum cable steel reinforced quality steel wire rod.

Despite the explicit exclusion of these products from the scope of the present section 201 investigation, there are nevertheless several carbon and alloy wire rod products that are within the scope of the present proceeding. The domestic industry producing carbon and alloy steel wire rod does not oppose or has no position on the vast majority of the carbon and alloy long products for which exclusions have been requested. As discussed further below, the domestic industry's opposition is limited to two products, both of which are produced in significant

quantities by domestic manufacturers. Based on the limited scope of the domestic industry's opposition, and the existence of significant domestic production of those products, we urge the TPSC to recommend that the President not exclude grinding rod and large diameter rod from the scope of any import relief ultimately implemented with respect to carbon and alloy long products.

II. REQUEST FOR CONFIDENTIAL TREATMENT

Pursuant to the provisions of 15 C.F.R. § 2003.6, we request confidential treatment for the information contained within brackets in this submission, which is being submitted voluntarily by members of the domestic carbon and alloy steel wire rod industry. The information contained within brackets is the type of information that is routinely given confidential treatment by the International Trade Commission, as it pertains to the domestic industry's past, current, and projected business operations. This information is highly sensitive and the disclosure of such information to the public would cause significant harm to the domestic industry.

We request that the bracketed information contained in these comments be kept confidential and exempt from disclosure under the Freedom of Information Act ("FOIA"), 5 U.S.C. § 552, as business proprietary information. If the Office of the United States Trade Representative or the TPSC is considering disclosure of certain information contained in this submission pursuant to a FOIA request, we ask to be informed immediately so that we may withdraw the submission or redact confidential portions.

III. THE DOMESTIC INDUSTRY OPPOSES EXCLUSION REQUESTS ON JUST TWO CARBON AND ALLOY LONG PRODUCTS

A. The President Should Not Exclude Grinding Rod from Any Import Relief Program Implemented With Respect to Carbon and Alloy Long Products

Domestic producers of carbon and alloy steel wire rod oppose the exclusion requests filed by Alta Steel Ltd. and certain of its U.S. customers concerning grinding rod. See Exclusion Requests X-003 (Evtac Mining), X-005 (Alta Steel Ltd.), X-009 (K-T Feldspar Corp.), and X-016 (Kennecott Utah Cooper Corp.). The domestic industry opposes the exclusion requests concerning grinding rod based on there being significant domestic production of that product. In particular, GS Industries has produced significant quantities of grinding rod during the last two years. In 2000, GS Industries shipped [] tons of grinding rod with a market value of []

Because the domestic industry can supply the U.S. market with significant quantities of grinding rod and has the capacity and capability to meet domestic demand, the various exclusion requests concerning grinding rod should be denied.

Further, due to the recent closures of several significant domestic consumers of grinding rod, including [] total domestic demand for grinding rod has declined significantly. Given this decline in domestic demand, the significant domestic production of grinding rod, and the precarious state of the domestic carbon and alloy steel wire rod industry, we urge the TPSC to recommend that the President deny the various requests to exclude grinding rods manufactured by Alta Steel Ltd. from the scope of any import relief program ultimately implemented with respect to carbon and alloy long products.

B. The President Should Not Exclude Large Diameter Steel Wire Rod from Any Import Relief Program Implemented With Respect to Carbon and Alloy Long Product

The second and final exclusion request that domestic producers of carbon and alloy steel wire rod oppose concerns large diameter steel wire rod (i.e., hot-rolled rod with a diameter of 19 millimeters or greater). See Exclusion Request X-019 (Saarstahl AG). As with the grinding rod discussed above, significant quantities of large diameter wire rod are currently produced in the United States. In particular, Co-Steel Raritan, Inc. produced [] tons of large diameter rod in 2000, as well as [] tons in year-to-date 2001. The sales value of this production is [] and [] respectively. Co-Steel Raritan's production of large diameter rod encompasses products with a diameter of 3/4" (19.05 mm), 49/64" (19.45 mm), and 25/32" (19.84 mm), all three of which exceed the 19 mm diameter identified in Saarstahl AG's exclusion request. Further, it is our understanding that other domestic producers, including Ispat Inland and Charter Steel, manufacture steel wire rod in diameters greater than 19 millimeters. We do not, however, have any information on the recent production volumes or sales values for those companies. Thus, as with grinding rod, based on the existence of significant domestic production of large diameter rod and the precarious state of the domestic industry producing carbon and alloy steel wire rod, we request that the TPSC recommend that the President not exclude large diameter rod from the scope of any import relief program implemented with respect to carbon and alloy long products.

IV. The Domestic Industry Supports the Inclusion of a Focused Short Supply Provision in Any Import Relief Program Ultimately Implemented by the President

While domestic producers oppose only the exclusion requests concerning grinding rod and large diameter rod, they recognize a remote possibility that there may arise instances in which importers and consumers will require access to these products that cannot be produced by the domestic industry and cannot otherwise be obtained. Domestic producers of carbon and alloy steel wire rod, therefore, do not oppose reasonable "short supply" procedures for these products being included in any remedy package ultimately implemented by the President.

The basic principles of any such "short supply" program must be that: (1) it applies only in instances in which the consumer, importer, or exporter provides credible evidence that the domestic industry is unwilling or unable to produce the product in question or a commercial substitute (*i.e.*, a product that has the same commercially significant mechanical and performance characteristics and that is marketed for the same purpose);¹ (2) the product in question cannot be obtained in the quantities required; and (3) price is not a consideration in determining whether a short supply exists. The CITAC short supply proposal in H.R. 2770 does not meet these requirements. Domestic producers of carbon and alloy steel wire rod are willing to work with consuming industries and the Administration to craft an appropriate short supply

¹ Short supply claims should not be granted when the request is based solely on brand preference or a claim that domestic suppliers are not qualified to provide the product in question. Non-essential product characteristics also should not be used to differentiate products. Products for which there is a domestic commercial substitute should also not be subject to "short supply" claims. Domestic producers should have the opportunity to market competing products to customers that have previously relied on imports. Short supply claims must be based on necessity rather than preference.

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mechanism that meets the requirements set forth above with respect to the narrow range of products for which the domestic industry opposes exclusions.

V. CONCLUSION

For the reasons stated above, domestic producers of carbon and alloy steel wire rod request that the TPSC recommend that the President reject the requests for the exclusion of grinding rod and large diameter wire rod from any import relief that may ultimately be ordered by the President pursuant to section 203(a) of the Trade Act of 1974, as amended.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Paul Rosenthal".

PAUL C. ROSENTHAL
R. ALAN LUBERDA
JOHN M. HERRMANN

Counsel to Co-Steel Raritan, Inc. and GS Industries

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